

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE APPLICATION OF COLUMBIA |) | |
| GAS OF KENTUCKY, INC., FOR |) | |
| AUTHORITY FOR THE ISSUANCE |) | CASE NO. 9471 |
| AND SALE OF PROMISSORY NOTES |) | |

O R D E R

On November 25, 1985, Columbia Gas of Kentucky, Inc., ("Columbia") filed an application seeking permission to issue and sell Installment Promissory Notes ("Notes") to its parent, Columbia Gas System, Inc., ("System") in a principal amount not to exceed \$3,200,000. At the time of the filing, the interest rate for the Notes was unknown.

On December 12, 1985, the Commission issued an Order withholding approval of Columbia's financing request because the interest rate was not known. The Commission directed Columbia to file a statement setting out the interest rate of the Notes, once it was determined. At that time, the Commission would consider Columbia's application.

On December 10, 1986, Columbia filed a Statement of Interest Rate. The interest rate for Columbia's proposed issuance of Notes will be 10.3 percent. The Notes will have a 15-year maturity and the principal will be paid back in 15 equal installments beginning

in January, 1988. All other terms and conditions are as set out in the initial application.

After considering the Application, the Statement of Interest Rate and all the evidence of record and being advised, the Commission is of the opinion and finds that the issuance and sale of Notes to the System, in a principal amount not to exceed \$3,200,000, is for lawful objects within the corporate purposes of Columbia, is necessary and appropriate for and consistent with the proper performance by Columbia of its service to the public and will not impair its ability to perform that service and is reasonably necessary and appropriate for such purposes.

IT IS THEREFORE ORDERED that:

1. Columbia be and it hereby is authorized to issue and sell Notes to the System, in a principal amount not to exceed \$3,200,000, with an interest rate not to exceed 10.3 percent.

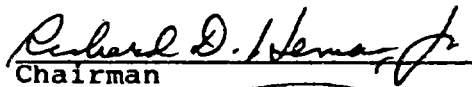
2. The terms and conditions of the Notes shall be as set out in the Application and modified in the Statement of Interest Rate.

3. The proceeds from the securities authorized herein shall be used only for the lawful purpose as set out in the Application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 19th day of December, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director